

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
DECEMBER 1-2, 1997
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board convened in Regular session on Monday, December 1, at the Osteria Del Vecchio Restaurant, 1321 W. Taylor Street in Chicago. The Board and its senior staff dined together prior to the meeting.

At 7:37 p.m., Chairman Johnson convened the meeting, with members William Browder, Gayl Pyatt and Robert Vickrey in attendance. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Litigation**
- 4. Investigatory Matters**
- 5. Personnel Matters**
- 6. Closed Session Minutes**

Member Pyatt seconded the motion. The Board adopted the motion by unanimous consent.

The closed session meeting ended at 8:29 p.m.

The Board reconvened its meeting on December 2, 1997 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey, Kevin Lockhart and Thomas Swaik, Chief Legal Counsel Mareile' B. Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Pyatt moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Litigation**
- 4. Investigatory Matters**

5. Personnel Matters
6. Closed Session Minutes

Member Browder seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 1:08 p.m.

Board Minutes

Member Vickrey moved **that the Board approve the minutes from the open and closed sessions of the October 21, 1997 regular meeting and the open and closed sessions of the November 14, 1997 special meeting.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

The Chairman noted one change to the agenda under Owner Licensee Items. Players/SIRCC requested to defer its presentation on financing to a future meeting. The Chairman also announced that Nick Wilke, a consultant for the Board on financial issues, will be retiring on December 31, 1997. The Chairman thanked Nick for his service to the Board.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and, Internal Control System changes.

The Administrator also reported that:

- HP, Inc. asked to withdraw its request to destroy its inventory of chips and tokens.
- A panel has been appointed in the matter of valuation of certain contracts involving Casino Queen owners and others. The panel will be chaired by Nicholas Bua, a former federal judge. Other members are Lionel Gross, a retired partner with the law firm of Altheimer & Gray and Donald Jacobs, Dean of the Kellogg Graduate School of Management and Professor of Finance at Northwestern University.
- J. Thomas Long of Argosy Gaming has submitted his Personal Disclosure Form 1 pursuant to the October 1997 Board order.
- Staff met with General Managers to discuss issues raised by the Board concerning check cashing and credit practices. (See Board Policy Items for status report.)
- The General Assembly is meeting in Special Session in Springfield this date to consider legislation to change the state's funding formula for elementary and secondary schools.
- Mel Fisher, Deputy Director of the Missouri Gaming Commission ("MGC"), has been appointed as Acting Director of the MGC. Tom Irwin, Executive Director of the MGC, has left to become the Executive Director of the Bi-State Development Authority (an Illinois/Missouri entity).
- The Missouri Supreme Court issued a ruling in a lawsuit challenging the constitutionality of one aspect of Missouri's gaming statutes. At issue is a provision of

Missouri's law that allows casino licensees to locate riverboat facilities on waters that are within 1,000 feet of the waters of the Mississippi or Missouri rivers.

The Administrator also bid good-bye to Nick Wilke and thanked Nick for his insightful contributions over the years.

Chairman Johnson added that the Board may hold a special meeting telephonically in mid-December.

Owner Licensee Items

EMPRESS CASINO - JOLIET ("Empress") - Mike Hansen, representing Empress, requested approval of a corporate restructuring. Mr. Hansen stated that Empress is requesting a merger to: (1) address concerns of the IGB and the Indiana Gaming Commission; (2) take advantage of a change in tax rules which permit Subchapter S corporations to create qualified Subchapter S subsidiaries; and, (3) create a new corporate structure that will provide a more efficient capital structure. Mr. Hansen stated that the new holding company, LMC Leasing, Ltd. ("LMC"), will: (1) set up an Illinois subsidiary corporation initially called New Empress Joliet, Inc. (New Co.); (2) allow New Co. to merge into Empress Casino Joliet making Empress Joliet a wholly-owned subsidiary of LMC; and (3) allow the shareholders of Empress Joliet to exchange their shares of stock in Empress Joliet for shares of stock of LMC.

Chairman Johnson asked what LMC currently owns (pre-merger). Mr. Hansen stated that LMC owns stock in Empress Casino Hammond, some cash, the title to the Empress III (the vessel in Hammond) and 40 percent of Empress River Finance.

Chairman Johnson asked if there was a restructuring of Empress Casino Hammond. Mr. Hansen stated that in November 1997 Empress Casino Hammond became a wholly-owned subsidiary of LMC. A new holding company was formed called Indiana New Co.

In response to Chairman Johnson, Mr. Hansen stated that this will be the only restructuring and that Empress will change the name of LMC Leasing Ltd. once the proposed merger occurs.

Chairman Johnson asked for information concerning Hammond Bridge Company. Mr. Hansen stated that the "Hammond Bridge" is a Limited Liability Corporation formed at the time the Empress Hammond facility was built to handle various contracts and environmental issues. It is owned 98.5 percent by Empress Hammond, with the other 1.5 percent owned by the individual owners of Empress Hammond.

SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES ("SIRCC") - Vic Weclaw, representing SIRCC, requested approval of its preventive maintenance request submitted to the Board and a waiver of the two meeting rule. Mr. Weclaw stated that during a routine analysis of the engine oil, coolant was found in the main engine. SIRCC attributes this to wear on the main bearing. Mr. Weclaw stated that normally an overhaul would be done at 16,000 hours (the engine currently has 13,000 hours).

Chairman Johnson asked when SIRCC was planning to come to the Board to request the scheduled maintenance. Mr. Weclaw stated that SIRCC would have come to the Board in a year to a year and a half from now. Chairman Johnson stated that it was his understanding that SIRCC notified the Board a year ago that they would be coming in at this time to request scheduled maintenance. Mr. Weclaw stated that was incorrect. Administrator Belletire stated that staff received a report from SIRCC in June of 1996 indicating an overhaul on the starboard engine was due in January of 1998 and service on the port engine was due in January 1999. Mr. Weclaw stated that he was not aware of that letter.

Chairman Johnson commented that he would be interested to know how many times SIRCC has come before the Board with a request for immediate action compared to other Owner licensees.

In response to Member Vickrey, Mr. Weclaw stated that the diesel engines run eighteen hours a day.

The Chairman indicated that SIRCC's request for preventive maintenance will be scheduled for the next meeting of the Board.

HARRAH'S - Bill Buffalo, representing Harrah's, reported that construction of the sky-walk and renovations on the pavilion lounge has begun. Expected completion date for both these projects is the first quarter of 1998. He further reported that the hotel project is being re-examined. He requested that the Board defer any action on the project until, at the earliest, the January 1998 meeting.

HP, INC. - ("HP") - Administrator Belletire reported that HP requested a withdrawal of its request to destroy its chips and tokens.

Mr. Browder moved **that the motion addressing HP, Inc.'s request to destroy its inventory of chips and tokens be tabled.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

SIRCC/PLAYERS INTERNATIONAL ("Players") - Pat Madamba, representing Players, requested additional modifications to the credit facility originally approved in October 1997 for \$50 million. Mr. Madamba requested approval to increase the line of credit to \$70 million. This increase is to allow Players to finance the purchase of a hotel in Lake Charles, Louisiana. Wells Fargo Bank, N.A. will remain the lead financial institution.

Chairman Johnson asked Mr. Madamba to comment on the recent ruling by the Missouri Supreme Court. Mr. Madamba indicated that Players and its partner Harrah's as well as other Missouri gaming operations were potentially affected by this ruling. He added that the issues raised in the litigation were not likely to be resolved soon. Mr. Johnson asked what impact the decision has on the Players bank line of credit. Mr. Madamba stated that the Wells Fargo bank was concerned but continued to work with Players. He further stated that Players believed they would eventually receive a favorable ruling in the pending Court Case.

Mr. Madamba also asked that the Board authorize the Administrator to act on the Board's behalf to approve the final credit facility agreement.

Member Pyatt moved **that the Board approve the recently proposed amended and restated credit agreement for Players International, Inc. ("Players")**. The new proposed amended and restated agreement increases the credit facility provided to Players by Wells Fargo Bank, N.A. and other participating banks from \$50 million to a total of \$70 million. This authorization is subject to the approval of the Administrator upon his review of the final terms and documentation of the credit facility. If the Administrator concludes that the final terms of the credit facility represent a material change from that currently proffered to the Board, he may resubmit this agreement to the Board for its review and approval. Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

BOYD GAMING CORPORATION ("Boyd") - Donna More and William S. Boyd, representing Boyd, requested approval of Mr. Boyd and Ellis Landau as key persons of Par-A-Dice Gaming Company ("Par-A-Dice").

Member Vickrey moved **that the Board approve William S. Boyd and Ellis Landau as Key Persons of Par-A-Dice Gaming Corporation**. Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Ms. More along with Marty Johnson requested approval of Judith Campbell as the General Manager and Mr. Johnson as Vice President & Assistant General Manager of Par-A-Dice.

Member Browder moved **that the Board approve Judith Campbell and Marty R. Johnson as Level 1 Occupational Licensees of Par-A-Dice Gaming Corporation**. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Hollywood Casino Aurora ("HCA") - John Janicik, representing HCA, requested approval of Jeffrey Williams as the MIS Director of HCA.

Member Pyatt moved **that the Board approve Jeffrey B. Williams as a Level 1 Occupational Licensee of Hollywood Casino Aurora**. Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

EMPRESS CASINO JOLIET ("Empress") - Mr. Hansen, representing Empress, requested approval as Chief Legal Officer of Empress.

Member Vickrey moved **that the Board approve Michael W. Hansen as a key person of the Empress Casino Joliet Corporation**. Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licenses

PRATT MANAGEMENT, LIMITED PARTNERSHIP ("Pratt") - John Janicik, John Hull and Don Shapiro, representing Pratt, requested renewal of its supplier's license to provide gaming management services to HCA.

Chairman Johnson asked for a status on plans to terminate the management services agreement between Pratt and HCA. Mr. Hull responded that they are committed to changing the debt structure and will do so at the earliest possible date. Mr. Hull stated that the management fee revenue is based on revenues and gross operating profits.

Chairman Johnson asked if the debt of Greate Bay Corporation was that of the Limited Partnership. Mr. Hull stated that it is debt of a subsidiary of Greate Bay Corporation. Mr. Hull stated that the debt retires in the year 2001 at which time Pratt and HCC anticipate a refinancing.

Chairman Johnson asked what percentage of the annual debt service is paid for by this revenue stream. Mr. Hull stated sixty to sixty-five percent.

Member Browder moved **that the Board approve Pratt Management, LP's (PMLP) supplier's license for a period of one year ending December 1998. In renewing the license the Board reiterates its concerns over the percentage-based management fee charged by PMLP to Hollywood Casino Aurora and further requests that PMLP continue to work toward eliminating this percentage-based fee.** Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.

PAUL-SON GAMING SUPPLIES, INC.

Member Browder moved **that the Board approve Louis DeGregorio as a Key Person of Paul-Son Gaming Supplies, Inc.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Vickrey moved **that the Board approve 97 applications for an Occupational License, Level 2, and 309 applications for an Occupational License, Level 3, and deny two applications for an Occupational License, Level 2 and two applications for an Occupational License, Level 3.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

Member Pyatt moved **that the Board adopt the report and recommendations of the administrative law judge and reduce to a formal reprimand the sanctions issued against Robert Gardner under disciplinary complaint number DC-97-16.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Complaints & Disciplinary Actions

Member Browder stated **that having reviewed the staff's reports, I move that the Board issue complaints for disciplinary action against Nicole Lawler, Ernesto Martinez, James Brand, Roman McGee, and Jerome Seidita and revoke their respective licenses.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

BOARD RULES - Administrator Belletire stated that the comment period closed November 24, 1997 on the proposed draft rules. Staff made one minor change and one significant change in the proposed rules. The significant change was to the rule regarding a challenge to the Board appointment of an Administrative Law Judge in the event that there is a bias or conflict alleged. The Administrator also stated that the emergency rules are up for consideration with JCAR on December 16, 1997.

Member Vickrey moved **that the Board approve the second notice filing with the Joint Committee on Administrative Rules of the proposed definitions and rules presented by staff at this December meeting.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Administrator Belletire stated that staff believes the Board's rules should be amended on an emergency basis should the General Assembly pass legislation being considered on this day. He noted that the gaming tax changes in this legislation would be effective January 1, 1998, necessitating the emergency action.

CREDIT POLICIES - Administrator Belletire reported that staff met with General Managers on November 17 to discuss credit practices and check cashing policies. The purpose of the discussion was to move towards consensus with the industry regarding how credit and check cashing privileges should be affected when a spouse has concerns for a "problem gambler". A general consensus emerged from the discussion and staff will be developing Minimum Internal Control System requirements that:

- Provide for a temporary credit/check cashing "Stop" when a spouse submits a written request for a cessation in privileges.

- Establish uniform procedures for implementing and reconciling the temporary “Stop” order -- procedures that require face-to-face and/or written interaction with the person alleged to have the gambling problem.
- Cause any person “voluntarily” banning themselves from gambling on a riverboat casino to have a cessation of all credit/check cashing privileges and removal from casino mailing lists.
- Require employee training concerning the above issues.

The Administrator stated that other credit issues are still being reviewed by staff.

1998 BOARD MEETING DATES

Member Browder moved **that the Board approve the following Board meeting dates for the 1998 calendar year: January 20, February 17, March 17, April 21, May 19, June 23, July 21, September 8, October 20, and December 1.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

BY-LAWS/SHAREHOLDER AGREEMENTS

Chief Counsel Cusack reported that in response to the Board's request, a report was developed summarizing the mechanisms adopted by each Owner licensee to assure that all acquisitions, dispositions and other transfers of ownership interest in Owner licensees as well as their parent companies are made in accordance with the Riverboat Gambling Act and Board rules. Ms. Cusack stated that she will be further analyzing each licensees' Agreements and working with the Owner licensees to see what additional changes they can adopt in order to be in full compliance.

Chairman Johnson asked if a rule needs to be in place before the Board can request certain requirements pertaining to Shareholder Agreements. Ms. Cusack stated that the current rule 3000.235 addresses the Boards objectives but may not have sufficient standards for enforcement.

There being no further business to come before the Board, Member Browder moved **that the Board stand adjourned.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 2:30 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board